APPENDIX

Tandy Corporation has participated with several states and state public utility commissions in the preparation of a separately bound Joint Appendix which contains all submissions required by Rule 15.1(j) and is incorporated by reference herein. The Appendix which follows contains the 1956 Final Judgment of the District Court for the District of New Jersey.

UNITED STATES DISTRICT COURT
For The District of New Jersey

Civil Action No. 17-49.

UNITED STATES OF AMERICA,

Plaintiff,

v.

WESTERN ELECTRIC COMPANY, INCORPORATED, AND AMER'CAN TELEPHONE AND TELEGRAPH COMPANY,

Defendants.

FINAL JUDGMENT.

Plaintiff, United States of America, having filed its complaint herein on January 14, 1949; the defendants having appeared and filed their answer to such complaint denying the substantive allegations thereof; and the parties, by their attorneys, having severally consented to the entry of this Final Judgment without trial or adjudication of any issues of fact or law herein and without this Final Judgment constituting any evidence or admission by any party in respect of any such issues;

Now, THEREFORE, before any testimony has been taken herein, and without trial or adjudication of any issue of fact or law herein, and upon the consent of all parties hereto, it is hereby

ORDERED, ADJUDGED AND DECREED AS FOLLOWS:

I.

This Court has jurisdiction of the subject matter herein and of all the parties hereto. The complaint states a claim upon which relief may be granted against each of the defendants under Sections 1, 2 and 3 of the Act of Congress of July 2, 1890, entitled "An act to protect trade and commerce against unlawful restraints and monopolies," commonly known as the Sherman Act, as amended.

II.

For the purposes of this Final Judgment:

(a) "Western" shall mean the defendant Western Electric Company, Incorporated.

(b) "A T & T" shall mean the defendant American Telephone and Telegraph Company.

(c) "Bell Operating Companies" shall mean the 22 corporations listed in Appendix A attached to this Final Judgment, any other subsidiaries of the defendants engaged in furnishing common carrier communications services and the respective subsidiaries of and successors to each of the foregoing.

(d) "Companies of the Bell System" shall mean A T & T, Western, their subsidiaries and the Bell Operating Companies.

(e) "Westrex" shall mean Westrex Corporation, a Delaware corporation.

(f) "Patents" shall mean United States letters patent except for the reference to foreign patents in Section X (E)(3).

(g) "Bell System patents" shall mean patents owned or controlled by either of the defendants or any of their subsidiaries, and patents on inventions made in the course of their employment by employees of defendants and their subsidiaries (other than employees of subsidiaries exclusively engaged in the performance of contracts with the plaintiff) employed to do research, development or other inventive work, subject to any

releases of rights to such employees prior to the date of this Final Judgment, and shall include patents of others under which and to the extent to which either of the defendants or any of their subsidiaries may have the right to grant licenses.

(h) "Equipment" shall mean apparatus, systems, materials, supplies, machines, tools and any other product.

(i) "Common carrier communications services" shall mean communications services and facilities, other than message telegram service, the charges for which are subject to public regulation under the Communications Act of 1934, or any amendment thereof, or would be subject to such regulation thereunder if such a service or facility were furnished in interstate commerce; and shall also include any communications service or facility, other than message telegram service, the charges for which are or become subject to regulation under existing or future laws of any state, territory, or the District of Columbia, but only in the jurisdiction or jurisdictions in which the charges for such service or facility are subject to regulation.

(j) "Associated companies" shall mean, as to defendants, the Companies of the Bell System, and as to any applicant, its subsidiaries.

(k) "Person" means any individual, partnership, corporation, association, firm, trustee or other legal entity.

(l) "Message telegram service" shall mean the electrical transmission by a common carrier of a message presented to it at one of its public offices in written form or, if presented orally, reduced to written form by the carrier and delivered by the carrier to the addressee in written form or, if orally, by a reading of the written message by the carrier.

(m) "B-2 agreements" shall mean the license agreements dated July 1, 1932, made by either or both of the defendants with General Electric Company, Radio Corporation of America, and Westinghouse Electric Corporation, or any of them, and all agreements supplementary thereto, and "other parties

to the B-2 agreements" shall mean said companies, their subsidiaries, successors and assigns.

III.

The provisions of this Final Judgment, applicable to a defendant, shall be binding upon said defendant, its officers, agents, servants, employees, and attorneys, and upon those persons in active concert or participation with said defendant who receive actual notice of this Final Judgment by personal service or otherwise.

IV.

(A) The defendants are each enjoined and restrained from commencing, and after three (3) years from the date of this Final Judgment from continuing, directly or indirectly, to manufacture for sale or lease any equipment which is of a type not sold or leased or intended to be sold or leased to Companies of the Bell System, for use in furnishing common carrier communications services, except equipment used in the manufacture or installation of equipment which is of a type so sold or leased or intended to be so sold or leased; provided, however, that this Section shall not apply to the artificial larynx, by-products of reclamation of scrap, or equipment manufactured for the plaintiff, or for plaintiff's prime or sub-contractors for the performance of contracts with plaintiff or sub-contracts thereunder.

(B) After three (3) years from the date of this Final Judgment, the defendant Western is enjoined and restrained from engaging, either directly or indirectly, in any business not of a character or type engaged in by Western or its subsidiaries for Companies of the Bell System, other than (1) businesses in which defendant A T & T may engage under Section V hereof, (2) businesses in which Western is required to engage under this Final Judgment, and (3) any business engaged in for the plaintiff or any agency thereof.

(C) No sale of any subsidiary or assets made necessary by this Section IV need be made otherwise than at a fair price and

on reasonable terms nor shall it be made except to a person approved by this Court. Defendants may apply to this Court for an extension of time established by this Section IV, upon notice to the plaintiff, and such extension may be granted upon a showing of good cause therefor.

V.

The defendant A T & T is enjoined and restrained from engaging, either directly, or indirectly through its subsidiaries other than Western and Western's subsidiaries, in any business other than the furnishing of common carrier communications services; provided, however, that this Section V shall not apply to (a) furnishing services or facilities for the plaintiff or any agency thereof, (b) experiments for the purpose of testing or developing new common carrier communications services, (c) furnishing circuits to other communications common carriers, (d) for a period of five (5) years from the date of this Final Judgment, leasing and maintaining facilities for private communications systems, the charges for which are not subject to public regulation, to persons who are lessees from defendants or their subsidiaries of such systems forty-five (45) days after the date of this Final Judgment, (e) directory advertising, (f) advice or assistance to other communications common carriers, or (g) businesses or services incidental to the furnishing by A T & T or such subsidiaries of common carrier communications services.

VI.

The defendants are each enjoined and restrained from making or performing, directly or indirectly, any contract or agreement with any person whereby either defendant or its subsidiaries will have any right in any territory to act as distributor of any equipment manufactured or sold by such person, or whereby such person will have any exclusive right in any territory to act as distributor of any equipment manufactured or sold by either defendant or its subsidiaries; provided, however, that this Section shall not prevent the defendants or

their subsidiaries from buying any equipment for sale or lease to, or supplying any equipment to, the defendants' associated companies or the plaintiff, or prevent Westrex and its subsidiaries from acting as distributor to sound recording studios or outside the United States, nor shall this Section be deemed to prevent the disposition in any channels of trade of any equipment originally acquired for sale to defendants' associated companies or to the plaintiff.

VII.

The defendants are each enjoined and restrained from making, performing or enforcing, directly or indirectly, any contract or agreement with any independent telephone operating company under which such company is required to buy any equipment from them (but this shall not apply to any specific purchase order or to any specific contract for the purchase of operating plant), or with any purchaser to limit, fix or control the prices to be charged by such purchaser on the resale of any equipment.

VIII.

The defendants are each enjoined and restrained from acquiring, directly or indirectly, any person engaged in the manufacture, distribution or sale of equipment useful in furnishing common carrier communications services, either by acquisition of securities thereof or by acquisition of its assets.

Nothing in this Section VIII shall be construed to prohibit:

(a) acquisition by either defendant of all or part of the securities or assets of its subsidiaries;

(b) formation of subsidiaries by either defendant and the transfer thereto of assets of either or of other subsidiaries of either;

(c) application to this Court, upon notice to the plaintiff, for permission to acquire the securities or assets of a person engaged in such manufacture, distribution or sale, which may be

granted upon a showing that the effect of such acquisition will not be substantially to lessen competition or to tend to create a monopoly.

IX.

Western is ordered and directed to maintain cost accounting methods that conform with such accounting principles as may be generally accepted and that afford a valid basis, taking into account the magnitude and complexity of the manufacturing operations involved, for determining the cost to Western of equipment sold to A T & T and Bell Operating Companies for use by them in furnishing common carrier communications services.

X.

(A) The defendants are each ordered and directed to grant or cause to be granted, to any applicant who shall make written application therefor at any time or from time to time, non-exclusive licenses under all claims of any, some or all existing and future Bell System patents to make, have made, use, lease and sell any or all equipment as desired by the applicant, such licenses (1) to be royalty-free, to persons other than the other parties to the B-2 agreements, under all Bell Systems patents (other than patents of Teletypesetter Corporation) issued prior to the date of this Final Judgment, under which licenses or sublicensing rights were exchanged between the defendants and such other parties to the B-2 agreements, (2) to be at reasonable royalties to the other parties to the B-2 agreements under the aforesaid patents, except that such licenses shall be royalty-free to any such other party during any period for which licenses granted by it to the defendants or either of them, of the scope and character which the defendants may require it to grant to them pursuant to this Section X (A), shall be royalty-free under all patents issued prior to the date of this Final Judgment under which, and to the extent to which, such other party or its associated companies may have the right to grant licenses, and (3) to be at reasonable royalties to all

persons under all other existing and future Bell System patents; but upon condition that the applicant shall grant to defendants at reasonable royalties licenses to make, have made, use, lease and sell such equipment useful in furnishing common carrier communications services and such machines, tools and materials useful in manufacturing or operating any such equipment, as defendants may then designate in writing, under all claims of any or all existing and future patents under which, and to the extent to which, the applicant or its associated companies may have the right to grant licenses. Except with the consent of the grantor of any license hereunder, no such license shall be under patents on inventions made more than five (5) years after the effective date of the license, but the applicant may make successive applications for licenses. Each grant of a license hereunder shall be for the unexpired terms of the patents under which such license is granted, or for such lesser period as the grantee shall elect, and shall include the right to sublicense the grantee's associated companies for so long as they remain associated companies.

The provisions of this subsection (A) requiring the defendants to grant royalty-free licenses under certain patents shall not be deemed to constitute a finding, determination or admission that such patents are without value or that the defendants are not entitled to full damages and an injunction in the case of infringement of any such patent by any unlicensed person.

(B) Upon receipt of a written request for a license under the provisions of this Section, the defendant to whom such request is addressed shall advise the applicant in writing of the royalty, if applicable, which it deems reasonable therefor, and also of such licenses as defendants may specify under subsection (A) above. If the parties are unable to agree within ninety (90) days upon reasonable royalties or any other terms, the applicant or such defendant may apply to this Court for the determination of reasonable royalties and other terms, and the defendants shall, upon filing or receipt of notice of the filing of such application to this Court, promptly give notice thereof to the plaintiff. In any such proceeding the burden of proof shall

be on the defendant to establish the reasonableness of royalties or other terms requested by it, and on the applicant to establish the reasonableness of royalties or other terms requested by the applicant. Pending final determination of the foregoing, the applicant or said defendant may apply to this Court to fix interim royalty rates and other interim terms and conditions. If this Court fixes such interim rates, terms, and conditions, such defendant shall then tender and the applicant may then accept an agreement under which licenses shall be granted, in accordance with such interim determination, providing for the periodic payment of royalties, if applicable, at such interim rates for any manufacture, use, or sale under the patents involved. If the applicant fails to accept such license agreement or fails to pay interim royalties in accordance therewith such action shall be grounds for the dismissal of his application.

(C) The defendants are each enjoined and restrained from including in any license granted by them any restriction or condition whatsoever limiting the exercise of the rights granted thereby except that the license may be personal and non-transferable and may be conditioned on (1) payment of a reasonable royalty, if applicable, which shall be non-discriminatory as between licensees whose licenses are granted subsequent to the date of this Final Judgment, other than defendants' associated companies, but the royalty provisions of agreements under which licenses are exchanged and royalties are adjusted or eliminated to reflect a bona fide estimate of the values of such licenses shall not be deemed to discriminate between licensees, nor shall the bona fide compromise of claims for accrued royalty be deemed to be discriminatory, (2) subjection, to any grant of licenses and rights by applicant to the defendants, of patents of any company of which applicant is a subsidiary and subsidiaries of any such company and of patents on inventions made in the course of their employment, after the effective date of the license agreement, by employees of any such company, applicant or any of its subsidiaries employed to do research, development or other inventive work, and (3) such other terms as this Court shall

approve upon application by the defendants and notice to the plaintiff. If the applicant shall so request, any agreement in which licenses are exchanged between applicant and defendants shall fix a reasonable royalty for each license, where applicable, rather than providing for the adjustment or elimination of royalties.

(D) Each license agreement executed pursuant to this Section X shall contain, if the licensor so requests, reasonable provisions requiring the licensee to keep records, submit royalty statements and give appropriate license notices, and for periodic inspection of the books and records of the licensee by an independent auditor or any person acceptable to the licensee.

(E) Each license agreement executed pursuant to this Section X shall provide:

(1) That the licensee upon giving written notice to the licensor may cancel any such license for any specified equipment, but subject to paying accrued royalties.

(2) If any licensee requests, that such licensee may at any time surrender its license under any specified patent or patents identified by number by written notice to the licensor, but subject to paying accrued royalties. If any licensee requests, the license agreement shall also provide that upon such surrender the royalty rates shall be renegotiated if requested by the licensee in writing, and if there is a material difference between the reasonable value of the licenses granted to such licensee, including the patents affected by such surrender, and the reasonable value of such licenses without such patents, then such rates shall be reduced by an amount representing such difference. In event of disagreement whether a reduction should be allowed or the amount thereof, the matter may be determined in the manner set forth in subsection (B) of this Section X.

(3) If any licensee requests, a royalty-free grant of immunity under all foreign patents owned or controlled by the licensor or its subsidiaries relating to the sale or use abroad of

equipment manufactured under the license granted pursuant to this Section X.

(F) Each licensee of either defendant under a license agreement in effect at the date of this Final Judgment may cancel any licenses granted to it and its associated companies under such agreement by written notice to the licensor which shall terminate the obligation to pay royalty under the license agreement with respect to any equipment not manufactured, sold, leased or put into use under such licenses prior to such notice. Within sixty (60) days from the date of this Final Judgment, defendants shall mail a copy of the provisions of this Section X to all such existing licensees.

(G) The defendants are each enjoined and restrained, except where this Court upon application by a defendant and notice to the plaintiff shall find good cause therefor, from directly or indirectly:

(1) acquiring any license, grant of immunity or similar right under patents unless such license, grant of immunity or similar right shall be non-exclusive;

(2) disposing of any patents, or rights thereunder, so as to deprive defendants of the power to grant or cause to be granted licenses as required under this Section X unless it be a condition of such disposition that the transferee shall observe the provisions of this Section X with respect to the patents and rights so acquired and shall file with this Court, prior to such disposition, an undertaking to this effect; provided, however, that this subsection (G)(2) shall not be deemed to apply to (a) any transfer of patents or rights thereunder to the plaintiff or any agency thereof, or (b) a disclaimer, or a concession or other grant in interference proceedings; or

(3) granting or receiving any right to grant sublicenses under patents except to the grantee's associated companies for so long as they remain associated companies.

XI.

Western is ordered and directed, upon written request of any person, to furnish to such person a list, prepared as of January 1 of the year in which the request is made, of unexpired patents owned by either defendant or its subsidiaries, identified with the classification of the United States Patent Office on the date of issue of such patents.

XII.

The defendants are each enjoined and restrained from acquiring, directly or indirectly, title to any patent owned or controlled by any person other than Companies of the Bell System and employees thereof, except where this Court, upon application by either defendant and notice to the plaintiff, shall find that otherwise the defendant could not obtain rights under the patent or that the only terms upon which the defendant could obtain non-exclusive licenses under said patent are unreasonable, provided that nothing in this Section XII shall be construed to prohibit the acquisition of patents on inventions made by other persons pursuant to any research or development contract with any Company of the Bell System.

XIII.

The defendant A T & T is enjoined and restrained from receiving from the defendant Western any payment of patent royalty in respect of the manufacture, lease or sale of equipment by Western to the Bell Operating Companies.

XIV.

(A) The defendants are each ordered and directed, upon written application at any time and from time to time, to furnish to any person domiciled in the United States and not controlled by foreign interests, licensed pursuant to Section X of this Final Judgment under any patents of either of the defendants, technical information relating to equipment specified in such application, to the extent and upon the terms hereinafter set forth.

(B) The technical information so to be furnished shall be information relating to equipment manufactured by Western for sale or lease to Bell Operating Companies or A T & T for which the applicant is licensed pursuant to Section X of this Final Judgment, and shall consist, to the extent that the defendants shall have, and have the legal right to furnish, the same, of manufacturing drawings and specifications of the materials and parts comprising such equipment, and manufacturing drawings and specifications covering the assembly, wiring and acceptance test requirements of such equipment.

(C) The defendants are each enjoined and restrained from including in any agreement, under which technical information is furnished pursuant to this Final Judgment, any restriction or condition whatsoever limiting the exercise of the rights thereby granted to use such information, except that the right to use such information may be personal and non-transferable and may be conditioned on (1) payment of a reasonable charge or charges which shall be non-discriminatory as between recipients of such information pursuant to application made hereunder, other than defendants' associated companies, (2) the furnishing by an applicant to Western, upon payment of a reasonable charge or charges therefor, of its own technical information of the character and scope of that furnished by Western, but only respecting equipments for which the applicant has licensed defendants pursuant to Section X of this Final Judgment, and (3) such other restrictions and conditions as this Court shall approve upon application by either defendant and notice to the plaintiff.

Defendants' obligation to furnish technical information in any case shall be subject to such restrictions as may be imposed at any time by any department or agency of the plaintiff for reasons of national security.

(D) The reasonable charge or charges permitted by subsection (C) of this Section XIV shall be designed to reimburse the defendants or the applicant for the cost of gathering and reproducing the information furnished and for that proportion, if any, of the development expense that is reasonable and is

properly allocable to the class of equipment with respect to which the information is being furnished. The amount by which such charge or charges collected by defendants shall exceed the cost of gathering and reproducing such information shall be credited to the development and related engineering expense accounts of Western.

(E) Each agreement under which technical information is furnished pursuant to this Final Judgment shall contain, if the party furnishing such information shall so request, reasonable provisions requiring the recipient of such information to keep records, submit statements respecting charges, keep such technical information confidential, and use such technical information only for manufacture pursuant to the license granted to the recipient of such information under Section X of this Final Judgment, and providing for periodic inspection of the books and records of such recipient by an independent auditor or any person acceptable to such recipient.

(F) A party shall not be deemed, in connection with the furnishing of technical information pursuant to this Final Judgment, to have given any warranty against infringement of patents of others, or any warranty of success in connection with the use of such information.

(G) In the event of disagreement as to the amount of the charge or charges payable under this Section XIV, the matter may be determined in the manner set forth in subsection (B) of Section X of this Final Judgment.

XV.

(A) The defendants are each enjoined and restrained from making, performing, enforcing, or adhering to any contracts or agreements under which fields of manufacture, sale or distribution of any equipment are divided with others, provided that, subject to other provisions of this Final Judgment, an exchange of non-exclusive licenses and rights under patents, without more, between the defendants and others shall not be deemed to divide fields of manufacture, sale or distribution of equipment.

(B) The defendants are each enjoined and restrained from performing or enforcing any term or provision of any contract or agreement that (1) makes exclusive any licenses or other rights under patents, or (2) grants to one party the right to sue for infringement of the patents of another party.

(C) The defendants are each enjoined and restrained from enforcing any restriction or condition on any licenses or other rights under patents granted by either of them that (1) imposes maximum quantity or dollar limitations, or (2) restricts sales to designated customers (except where sales are limited to subsidiaries, under existing licenses, or to the plaintiff), or (3) restricts the price at which licensed equipment may be sold.

XVI.

For the purpose of securing compliance with this Final Judgment, duly authorized representatives of the Department of Justice shall, upon written request of the Attorney General, or the Assistant Attorney General in charge of the Antitrust Division, and on reasonable notice to the principal office of either defendant, be permitted (1) reasonable access during the office hours of said defendant to all books, ledgers, accounts, correspondence, memoranda and other records and documents in the possession or under the control of said defendant relating to any matters contained in this Final Judgment and (2) subject to the reasonable convenience of said defendant and without restraint or interference from it, to interview officers or employees of said defendant, who may have counsel present, regarding such matters, and upon request said defendants shall submit such written reports as might from time to time be reasonably necessary to the enforcement of this Final Judgment. No information obtained by the means provided in this Section XVI shall be divulged by any representative of the Department of Justice to any person other than a duly authorized representative of such Department, except in the course of legal proceedings in which the United States is a party for the purpose of securing compliance with this Final Judgment, or as otherwise required by law.

XVII.

Jurisdiction is retained for the purpose of enabling any of the parties to this Final Judgment to apply to this Court at any time for such further orders and directions as may be necessary or appropriate for the construction or carrying out of this Final Judgment, or the modification or termination of any of the provisions thereof or for the enforcement of compliance therewith or for the punishment of violations thereof. Upon any such application by the plaintiff, the plaintiff shall be deemed to have made a sufficient showing of a change in circumstances warranting appropriate modification of this Final Judgment if it shall show elimination hereafter, in a substantial number of states, of public regulation of charges for common carrier communications services.

Jurisdiction is further retained for the purpose of enabling the plaintiff to apply to this Court at any time, without the necessity of showing any change in circumstances, for orders under this Final Judgment:

(a) requiring sales, at non-discriminatory prices, of any telephone equipment manufactured by Western or its subsidiaries to independent telephone operating companies, or prohibiting or limiting sales of such equipment to such companies; and

(b) requiring that any equipment manufactured by Western or its subsidiaries that is used by A T & T or any Bell Operating Company in furnishing a common carrier communications service, other than telephone equipment, shall be sold at non-discriminatory prices to any person lawfully engaged in furnishing such a service in competition with them or in furnishing message telegram service, for use by such person in furnishing any such service; and

(c) requiring that A T & T shall, and shall cause its subsidiaries to, continue to lease, to common carriers engaged in the message telegram business, on reasonable terms, circuits required by such carriers for use in their business, to the

extent that such circuits shall be reasonably available without further construction.

Dated: January 24, 1956

/s/ THOMAS F. MEANEY
Thomas F. Meaney
United States District Judge

APPENDIX A

Bell Telephone Company of Nevada
Illinois Bell Telephone Company
Indiana Bell Telephone Company
Michigan Bell Telephone Company
New England Telephone and Telegraph Company
New Jersey Bell Telephone Company
New York Telephone Company
Northwestern Bell Telephone Company
Southern Bell Telephone and Telegraph Company
Southwestern Bell Telephone Company
The Bell Telephone Company of Pennsylvania
The Chesapeake and Potomac Telephone Company
The Chesapeake and Potomac Telephone Company of Maryland
The Chesapeake and Potomac Telephone Company of Virginia
The Chesapeake and Potomac Telephone Company of West Virginia
The Cincinnati & Suburban Bell Telephone Company
The Diamond State Telephone Company
The Mountain States Telephone and Telegraph Company
The Ohio Bell Telephone Company
The Pacific Telephone and Telegraph Company
The Southern New England Telephone Company
Wisconsin Telephone Company